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Dear Bill:

I am sorry that I did not get a chance to speak with you at the February 4th Committee Workshop on the 2005 Building Energy Efficiency Standards, which is probably just as well due to the amount of work you are completing. I have a few general comments from CHEERS perspective that may aid in the excellent work you, your staff and the consultants are completing at this time.

During the workshop there were a few issues that arose that I will address. I will address general areas and not respond to specific comments. The three areas that I will address are; cost of 3rd party verifications, impact on affordability of housing and the quality/ability of Raters to perform their work.

During the past few years there have been issues relating to the cost of 3rd party verifications paid by the builder. When the standards were initially implemented the cost of the 3rd party verification was fairly undefined and had a very wide range of pricing. This was due to the low number of verifications, low number of Raters, the lack of coverage and lack of experience in the process. Since that time (2000) CHEERS has trained and certified over 300 Raters providing 3rd party verification coverage throughout the state. In addition to this increase in the number of Raters, the cost of the verifications has become more defined and has decreased. CHEERS organization does not determine the price of verifications, Raters determine the fee they will charge according market forces. The cost of verifications that I have heard can range from a low of $100 for a duct test on the first system in the same home with an incremental cost of $50 for each additional system in the same home. As far as a package price I understand that a duct test and TXV verification can cost $150 - $175. If this is for sampling the cost would be spread among all of the homes in the sample group, so the cost per home is much lower $25 ($175 ÷ 7 homes). As you can see the cost is relatively low for the 3rd party verification on a per home basis. I do understand the costs will be higher as the rater does more, but the cost will be an incremental cost not a stand alone cost. As the requirements of 3rd party verification increases with the 2005 building energy efficiency standards there will be greater interest by individuals to become Raters which will cause greater competition. This increase in competition will do two things; lower the cost of verifications and increase the quality of the 3rd party verifications.

An issue was raised at the workshop concerning the impact on affordable housing by these proposed standard enhancements. I do agree the cost of the home could increase with some of these measures being implemented by the builder, however there are a number of programs and issues that compensate for these minimal costs. The issue that CHEERS has been promoting for a number of years is the market needs to look at the total cost of homeownership not just the purchase price of the home. It is one thing to get the person in the home; it is another to keep them in the home.

Depending upon the cost of the home, the utility cost could be the 2nd highest expense the homeowner must pay on a monthly basis, right behind the mortgage payment. If this is the case it is even more important to increase energy efficiency in homes. Lenders make loans based on the likelihood of repayment by the borrower. Anything that can be done to increase the borrower's likelihood of repayment will in fact increase affordability, such as lower projected energy costs. In an effort to increase homeownership a number of programs have been designed to assist potential homebuyers (Federal National Mortgage Association (Fannie Mae) just indicated their purchases to minority and low-income homebuyers exceeded Congressionally Mandated requirements). Fannie Mae has developed loan products to assist homebuyers with the purchase of the home such as an 100% loan to value home loan based on energy efficiency. In addition there are programs that offer down payment assistance for homebuyers (Nehemiah and Futures) that consider energy efficiency. If demonstrated energy savings are documented by using a rating or verification, the lower energy costs could be a compensating factor in the origination of the loan which would reinforce and increase the likelihood of repayment.

During the meeting there was a presentation made indicating the cost of the loan based on these new standards. The item that I would mention concerning the presentation was the use of a 15 year loan term. The 15 year loan term is a good approach for using a conservative estimate, but for 1st time homebuyers or low-income borrowers they should not use a 15 year loan term, in my opinion. The consumer should get a 30 year loan (easier to qualify, lower payments) but pay the loan as though it is a 15 year loan. This provides flexibility in case the borrower has a cash flow issue. The borrower could pay the lower amount (30 year) without risk of defaulting on the loan.

As I mentioned earlier due to the increasing number of Raters, the price of 3rd party verifications has decreased. The other issue related to the number of Raters increasing is the quality of the Raters. CHEERS has implemented a continuing education requirement for Raters to maintain their certification. This continuing education requirement is helping to promote the credibility of Raters in the field by making Raters more astute in verification guidelines and implementation approaches.

I apologize for getting this information to you later than I wanted, but I am hopeful it is useful in the continuing dialog in developing the 2005 Building Energy Efficiency Standards.

Please let me know if you have any questions.

Sincerely,

Tom Hamilton
Executive Director